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DPS-3074 ✓

12 August 1958

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Financing of Special Projects - Fiscal Year 1959

1. This memorandum contains a recommendation (paragraph 9.) submitted for the approval of the Director of Central Intelligence.

2. Background: During the past year, the activities for which I have been responsible as the Director of Project AQUATONE have multiplied. Certain new tasks were handled as subprojects of AQUATONE without formal approval by you as separate projects, and with no separate funding or accounting. Others were handled in an ad hoc manner as new projects but with approval by you of only the sums initially provided therefor. It appears desirable in the current fiscal year to handle these several tasks as separate projects. The purpose of this memorandum is to set forth the estimated operating budget for each such project for Fiscal Year 1959, to request approval of the projects, and to recommend appropriate funding action.

3. Estimated Operating Budgets: The special project activities currently in progress under my direction will be treated as five separate projects. For security purposes the nature of the activities being carried on under these projects is summarised in a separate document (TS-155106). The proposed operating budgets for these five projects and the Congressional budget for this office for special projects are as follows:

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-2-

4. Explanation of Increased Requirements: It will be seen that the presently estimated operating budgets total nearly three times the budgetary total submitted to Congress. The reasons why these large additional requirements have materialized may be summarized as follows:

a. CHALICE: The whole amount included in the Congressional budget was originally intended for this Project. It was computed on the assumption that CHALICE would be terminated on 31 December 1958. It now appears that operations will continue throughout the fiscal year. Moreover, steps are being

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b. [REDACTED] All active work on this program has been terminated. It has been necessary, however, to remove [REDACTED] provision from certain items of equipment which gives rise to the cost indicated above.

c. GUSTO: The feasibility studies which constitute this Project have involved extensive and costly engineering and scientific studies by the contractors concerned. This Project has also required in the current fiscal year the augmentation and completion and the subsequent operation of highly sophisticated test facilities at a location in the western part of the country. The Project is expected to involve the construction of mock-ups and measurement of certain of their characteristics. The extent and duration of this work could not have been foreseen when the Congressional budget was submitted.

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d. [REDACTED] This feasibility study was undertaken with little warning in the latter part of fiscal year 1958. Some \$270,000 was obligated in that fiscal year, the bulk of the funds having been obtained with your concurrence from the Agency Reserve. It now appears that the scope of the feasibility study should be expanded and considerable experimental work authorized looking toward the eventual development of a highly sophisticated intelligence collection system. These costs are highly unpredictable and the estimate of probable cost is subject to further change.

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SECRET

-3-

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e. CORONA: This Project was initiated in the last half of Fiscal Year 1958. It was financed by the Agency in the amount [REDACTED] which was released for the purpose from the Agency Reserve. At the time of that release, it appeared that little additional funds would be required. It now appears, however, that there may be modest over-runs on contracts already entered into and that the Agency may have to cover costs originally expected to be assumed by the Department of Defense. Accordingly, additional funds in at least the amount indicated above will be required in the current fiscal year.

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5. Shifts Between Projects: By way of general comment on the above requirements, it should be stated that the totals for the several projects are by no means firm even at this date. On the basis of estimates even more current than the above, it would appear that the requirement for GUSTO may be somewhat less than shown above and those for CORONA and [REDACTED] will certainly be greater. Accordingly, this Office desires freedom to shift funds between projects, provided no major change in the scope of the projects will be made without the approval of the DCI.

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6. Contingency: It is hoped that the feasibility studies being conducted under Projects GUSTO and [REDACTED] will reach a point during the current fiscal year which will permit the development and procurement of a major new intelligence collection system to be undertaken. Such an outcome would give rise to large additional financial requirements during the current fiscal year. No meaningful estimate can be made at this time, however, of this contingent requirement since no calculation can be made of the total cost of such a system until its character is well defined and no decision has been made as to whether and how this cost might be shared with the Department of Defense.

7. Withdrawals from the Reserve: It is believed that all of the above requirements which are excess to the Congressional budget can appropriately be financed through the release of funds from the Agency Reserve. As indicated above, the decision to extend CHALICE to the end of the year was not made, even for planning purposes, until the beginning of the fiscal year; the magnitude and duration [REDACTED] and GUSTO were altogether unpredictable; and Projects [REDACTED] and CORONA had not even been conceived when the budget was submitted. My basic recommendation, therefore, is that a release of funds from the Reserve in the amount of [REDACTED] be sought for the above purpose.

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-4-

8. Timing: Although substantial additional funds will unquestionably be necessary, it is believed that it would be premature to seek the above recommended release of funds from the Reserve at this time. As indicated above, the firm requirements for the five projects listed are still subject to change. More important is the large contingent requirement referred to in paragraph 6. Accordingly, it would seem appropriate to postpone the release until approximately 1 October by which time the magnitude of the requirement should be more clearly defined. In the meanwhile, funds can be obligated as needed for all of the above projects making use of a total allotment to this Office no greater than the Congressional budget figure. This will mean in effect borrowing from CHALICE to finance the other four projects for the first third of the fiscal year since the allotment was originally approved for CHALICE alone. Such action will require approval of the above projects and of the proposed operating budgets by the DCI, subject to the availability of funds and his approval to transfer funds among them as needed.

9. Recommendations: That the DCI:

a. Approve the five projects listed in paragraph 3, above and the operating budgets for Fiscal Year 1959 therein submitted subject to the availability of funds.

b. Authorize an allotment to this Office for the above projects not to exceed the total of the Congressional budget and the obligation of funds thus allotted for the several projects as required.

c. Authorize a request to the Bureau of the Budget on or about 1 October 1958 for the release of supplementary funds for the above projects in the amount indicated above, subject to final review of this request by the DCI prior to submission.

(sgd) Richard M. Bissell, Jr.

RICHARD M. BISSELL, JR.
Special Assistant to the Director
for Planning and Development

Recommendations Paragraph 9

APPROVED:

SIGNED

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